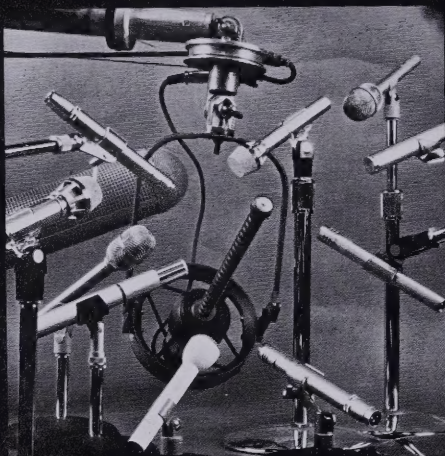




Western Broadcasting Company Ltd. Annual Report 1975



Western Broadcasting Company Ltd.

505 Burrard Street, Vancouver, B.C.

The Cover

Broadcasting . . . "to safeguard, enrich and strengthen the cultural, political, social and economic fabric of Canada."

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Annual Meeting

The Annual Meeting of the Company will be held on Monday, December 22, 1975 at 11 a.m. in the King George Room, Hyatt Regency Hotel, Vancouver, British Columbia.

Directors

FRANK A. GRIFFITHS, C.A., Vancouver, B.C., Director
WILLIAM J. HUGHES, Vancouver, B.C., Director
THE HON. WALTER S. OWEN, Q.C., Vancouver, B.C., Director*
PETER PAUL SAUNDERS, Vancouver, B.C., Director*
THEODORE S. SOSKIN, Calgary, Alberta, Director*
* Members of the Audit Committee

Officers

FRANK A. GRIFFITHS, C.A., Vancouver, B.C., President
WILLIAM J. HUGHES, Vancouver, B.C., Executive Vice-President
RODERICK M. MacLENNAN, Winnipeg, Manitoba, Vice-President, Manitoba
THOMAS E. DARLING, Hamilton, Ontario, Vice-President, Ontario
DAVID A. WILLIAMS, C.A., Vancouver, B.C., Vice-President, Finance
D. ALEXANDER FARAC, B.COMM., LLB., Vancouver, B.C., Secretary

Subsidiary Companies

RADIO NW LTD.
H.L. DAVIS, Station Manager
RADIO OB LTD.
R.M. MacLENNAN, President and Manager
RADIO QR LTD.
T.S. SOSKIN, President and Manager
RADIO ML LTD.
T.E. DARLING, President
WESTERN PRODUCTIONS LTD.
R.M. ABBOTT, Operations Manager
H. WALTERS, Creative Director
WESTERN BROADCAST SALES (1970) LTD.
M.J. DAVIES, Manager
NORTHWEST SPORTS ENTERPRISES LTD.
COLEMAN E. HALL, President
VANCOUVER HOCKEY CLUB LTD.
P. MALONEY, General Manager & Coach

*- 68%
✓ wholly owned*

Affiliated Company

BRITISH COLUMBIA TELEVISION BROADCASTING SYSTEM LTD.
J.R. PETERS, President and General Manager

Stock Transfer Agent:

Canada Permanent Trust Co.

Stock Listings:

The common and preferred shares of the Company are listed on the Toronto, Calgary and Vancouver Stock Exchanges.

Bankers:

Toronto Dominion Bank
Royal Bank of Canada
Bank of Nova Scotia

Report to Shareholders



Frank A. Griffiths, C.A., President

Your directors have pleasure in submitting this report of the operations of the company for the year ended August 31, 1975.

Consolidated earnings for the year, before extraordinary items, were \$2,760,873 or \$.73 per share, compared to \$2,434,654 or \$.64 per share the previous year. Extraordinary net gains amounting to \$412,612 were realized during the year making net earnings for the year \$3,173,485 or \$.84 per share. There were no extraordinary items in the previous year.

The earnings of the fourth quarter were adversely affected by management's decision to provide for deferred tax on one of the broadcast licensees in respect of license costs being claimed for tax purposes and also by provisions for the costs of settlement of a number of non-recurring costs in hockey.

This year's results include the earnings of Northwest Sports Enterprises Ltd., for the full year, and the earnings of Express Cable Television Ltd. for the three months to November 30, 1974, at which time it was sold.

Investment income includes dividends from Harlequin Enterprises Ltd. and Bushnell Communications Ltd., and short-term investment income and amounted to \$574,037 compared to \$499,947 the previous year.

The company's equity in the earnings of British Columbia Television System Ltd. amounted to \$723,738 compared to \$551,078 the previous year. This reflects an increase to 50.3% in ownership of that company's issued shares from 44.4% in the previous year.

The year was marked by a number of important developments having significant effect on the earnings of the company.

In compliance with the directives of the Canadian Radio-Television Commission, the company's investment in Bushnell Communications was sold to Standard Broadcasting Corporation Limited effective March 31, 1975, for \$8.8 million in cash and notes. The notes received in settlement were sold for face value without recourse as to principal.

The company also sold Express Cable Television Ltd. in North Vancouver, B.C. for \$2.7 million cash with the closing taking place November 30, 1974.

Proceeds from the sale of Bushnell and Express enabled the company to reduce its long term debt from \$23,867,200 to \$5,534,200 at August 31, 1975.

The company has applied the advance ticket receipts of the Vancouver Hockey Club to reduce temporarily its bank loans and its interest costs.

SUBSEQUENT EVENTS

At August 31, 1975 the company held 1,725,000 shares of Harlequin Enterprises Ltd. (Harlequin). The Toronto Star Limited made a public offering September 22, 1975 to acquire 51% of the outstanding shares of Harlequin. Your directors tendered all of the company's shares of which 941,409 shares were taken up by the Toronto Star and 783,591 Harlequin shares remain with the company. Western received \$7,686,616 plus 188,281 Toronto Star Limited "B" shares in settlement. This transaction has resulted in a capital gain of approximately \$4,000,000 after provision for income tax. The funds received in settlement have been applied to repay all term bank loans of the company.



William J. Hughes, Executive Vice-President

SHARE CAPITAL

As a result of conversion of 25,977 preferred shares into common shares, the number of common shares outstanding increased to 3,641,510 as at August 31, 1975 compared to 3,563,579 the previous year and the number of preferred shares declined from 102,240 to 76,263. The company received \$10,168 as premiums on the conversions of its shares during the year.

CAPITAL EXPENDITURES

Additions to the company's plants and equipment amounted to \$862,189 compared to \$432,427 the previous year. The largest of these expenditures was to provide new studios for CHQR Calgary and an increase to 50 KW in the transmitting power of the station.

TELEVISION

British Columbia Television Broadcasting System Ltd. (50.3% owned) had its most successful year and continued to expand by adding further rebroadcasting transmitters to its system. Its signals now cover 92% of the population of British Columbia. The gross revenue and net earnings of "BCTV" exceeded those of the previous year. The BCTV coverage of the province will be made almost complete during the current fiscal year with expansion into the Kootenays and improved coverage on Vancouver Island.

RADIO — British Columbia

CKNW continues to have the largest adult radio audience in British Columbia. Emphasis continues to be on community involvement and service. As the "voice of the Canucks" CKNW provided outstanding sports coverage during the 1974/1975 hockey season and through the playoffs. CKNW also broadcasts the games of the B.C. Lions in the W.F.C.

CFMI continues to provide excellent alternative listening to its audience. Revenues and earnings of Radio NW exceeded those of the previous year.

RADIO — Alberta

CHQR Calgary moved into its new broadcast home early in 1975 and today enjoys one of the most attractive and efficient facilities of any Canadian radio station. Probably of greater significance is the fact that CHQR also increased the power of its transmitter from 10 KW to 50 KW, the maximum allowable. The effect of this increase will be beneficial in delivering a better signal a greater distance which will assist in attracting audiences.

Revenue of the Calgary station was substantially greater than the previous year but increased costs diminished the earnings of CHQR slightly for 1974/1975. Post-move results point to both increased revenues and earnings in the coming year.

Directors



THE BOARD OF DIRECTORS — LEFT TO RIGHT — Theodore S. Soskin; The Honourable Walter S. Owen, Q.C.; Frank A. Griffiths, C.A.; William J. Hughes; Peter Paul Saunders.

RADIO — Manitoba

CJOB and CJOB-FM continue to produce outstanding results both in share of audience and in earnings. CJOB emphasizes news, sports and community service. It carries the broadcasts of both the Winnipeg Blue Bombers and the Jets in the World Hockey Association.

Revenues and earnings both were significantly higher than the previous year.

RADIO — Ontario

CHML has long been Hamilton's foremost radio station, and its share of the audience remains outstanding. CHML with its middle of the road music, news and sports appeal provides Hamiltonians with responsible and entertaining broadcasting.

CKDS-FM has one of the largest FM audiences in Canada with an excellent signal that covers the Niagara Peninsula and beyond Toronto to the north and east. CKDS has a large and loyal audience for its relaxed and melodious format.

Revenues of Radio ML Ltd. were moderately ahead of the previous year, but cost increases and increased provision for income taxes resulted in lower net profits for the year.

HOCKEY

Northwest Sports Enterprises Ltd. — Vancouver Canucks. (68.7% owned)

On Ice

In the 1974/75 season the Vancouver Canucks led the Conn Smythe Division of the N.H.L. and for the first time entered the Stanley Cup Playoffs in the spring of 1975. The Canucks provided good entertainment for the Vancouver fans who continue to support the club with over 15,000 season tickets sold for the 1975/76 season.

Off Ice

Northwest Sports Enterprises Ltd. has faced a number of administrative problems stemming from litigation and contractual commitments arising from previous years. During the 1974/75 year the company sustained losses in the operation and ultimate sale of its interest in the Seattle Totems Hockey Club, absorbed its share of the cost of sustaining the Pittsburgh and Oakland teams in the N.H.L., and settled satisfactorily its long outstanding negotiations with the Department of National Revenue regarding the amortization for tax of players' contracts.

This was a year of progress in team performance but a year of consolidation with regard to earnings of the company. It is hoped that with the increased ticket prices, excellent season ticket sales and the resolution of some of the legal and administrative problems, this company should enjoy better financial results in the 1975/76 year.

SALES REPRESENTATION

Western Broadcast Sales now represents 35 radio stations and 3 television stations. Under able management, revenues and earnings have increased markedly this past fiscal year. Apart from providing a strong marketing arm for Western Broadcasting's own stations, Western Broadcast Sales now earns revenue from a wide segment of radio and television stations from national bookings emanating from Western Canada.

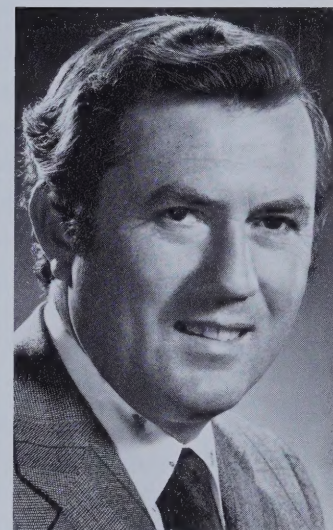
SOUND PRODUCTIONS

Western Productions Ltd. is now located in the studios of Little Mountain Sound Ltd. which is jointly owned by Western Broadcasting Company and by Griffiths Gibson. The three studios of Little Mountain are equipped with 16 track facilities of the most modern available. The quality of the work of Western Productions has increased noticeably as a result of its use of the new studios, and this has provided increasing attraction for customers both in Eastern Canada and the United States. Western Productions won nine International "Clio" awards for advertising excellence in radio during the past year.

Western Productions Ltd. with the assistance of its operations in Calgary, Winnipeg and Hamilton, made a small contribution to earnings this past year. Little Mountain Sound is attaining increased bookings for its studios and expects to become profitable in this, its second year of operation.



David A. Williams, C.A.
Vice-President, Finance



D. Alexander Farac
Secretary

Quarterly dividends of 9 cents per share have been paid during the past year, 50% of earnings. The appointments were announced during the year of Mr. David A. Williams, C.A., Vice-President, Finance and Mr. D. Alex Farac as Secretary of the company.

Your directors believe that the long range outlook for the broadcasting and leisure industries is positive. The company possesses a major asset in the skills and dedication of its managers and its very talented staff. Your directors wish to acknowledge and express their appreciation to all of the company's employees, whose efforts made possible the results which are depicted in this report.

Signed on behalf of the Board

Director

Frank A. Griffiths, C.A.
President

Director

William J. Hughes
Executive Vice-President

November 30, 1975

Ten Year Comparative Statement of Earnings

Year Ended	Earnings before adding Income from Invest- ments and deducting Depreciation, Interest on Long Term Debt and Income Taxes	Income from Investments	Depreciation	Interest on Long Term Debt	Income Taxes	Minority Interest	Net Earnings
Aug. 31, 1975	\$5,950,981	\$574,037	\$300,106	\$2,065,912	\$1,375,951	\$ (22,176)	\$2,760,873 (1)
Aug. 31, 1974*	5,401,007	499,947	349,876	1,530,724	1,600,794	15,094	2,434,654
Mar. 31, 1974	4,623,232	580,464	372,399	914,775	1,506,718		2,409,804
Mar. 31, 1973	3,876,501	448,701	414,315	441,590	1,349,266		2,120,031
Mar. 31, 1972	3,459,850	156,575	292,749	204,279	1,362,226		1,757,171
Mar. 31, 1971	2,385,748	177,675	223,575	—	1,142,729		1,197,119
Mar. 31, 1970	1,375,081	192,398	107,101	21,907	697,430		741,041
Mar. 31, 1969	1,348,683	89,830	86,516	—	673,627		678,370
Mar. 31, 1968	1,179,006	44,575	73,720	—	552,777		597,084 (2)
Mar. 31, 1967	1,075,744	9,543	84,365	20,016	433,819		547,087
Mar. 31, 1966	766,282	7,856	107,607	50,720	207,500		408,311

* 12 months to August 31, 1974 — year end change.

(1) Does not include extraordinary gain of \$412,612

(2) Does not include extraordinary gain of \$434,682

WESTERN BROADCASTING COMPANY LTD. and subsidiary companies

Consolidated Statement of Retained Earnings

YEAR ENDED AUGUST 31, 1975 (with comparative figures for 1974)

	1975	1974
Balance at beginning of year		
As previously reported	\$6,460,388	\$5,328,093
Deferred income taxes related to broadcast rights (note 2)	(383,556)	(254,350)
As restated	6,076,832	5,073,743
Net earnings for the year	3,173,485	2,434,654
	<u>9,250,317</u>	<u>7,508,397</u>
Dividends paid		
Preferred shares	127,598	155,390
Class A common shares	870,393	729,941
Class B common shares	753,978	468,181
Tax paid on undistributed income	—	78,053
	<u>1,751,969</u>	<u>1,431,565</u>
BALANCE AT END OF YEAR	<u>\$7,498,348</u>	<u>\$6,076,832</u>

Consolidated Statement of Earnings

YEAR ENDED AUGUST 31, 1975 (with comparative figures for 1974)

	1975	1974
Broadcasting revenues	\$14,758,022	\$13,082,760
Broadcasting expenses	<u>10,008,887</u>	<u>8,442,982</u>
Net broadcasting revenues	<u>4,749,135</u>	<u>4,639,778</u>
Hockey revenues	5,797,855	—
Hockey expenses	<u>5,619,853</u>	<u>139,725</u>
Net hockey revenues (expenses)	<u>178,002</u>	<u>(139,725)</u>
Net broadcasting and hockey revenues	4,927,137	4,500,053
Equity in earnings of British Columbia Television Broadcasting System Ltd.	723,738	551,078
Investment income	<u>574,037</u>	<u>499,947</u>
	6,224,912	5,551,078
Interest on long-term debt	<u>2,065,912</u>	<u>1,530,724</u>
Earnings before the following items	<u>4,159,000</u>	<u>4,020,354</u>
Provision for taxes on income (note 2)		
Current	1,261,268	1,347,846
Deferred	<u>114,683</u>	<u>252,948</u>
	<u>1,375,951</u>	<u>1,600,794</u>
Earnings before minority interest and extraordinary items	2,783,049	2,419,560
Minority interest	<u>(22,176)</u>	<u>15,094</u>
Earnings before extraordinary items	2,760,873	2,434,654
Extraordinary items (note 7)	<u>412,612</u>	<u>—</u>
NET EARNINGS FOR THE YEAR	<u>\$ 3,173,485</u>	<u>\$ 2,434,654</u>
Basic earnings per common share		
Earnings before extraordinary items	\$.73	\$.64
Extraordinary items	<u>.11</u>	<u>—</u>
NET EARNINGS FOR THE YEAR	<u>\$.84</u>	<u>\$.64</u>
Fully diluted earnings per common share		
Earnings before extraordinary items	\$.71	\$.63
Extraordinary items	<u>.11</u>	<u>—</u>
NET EARNINGS FOR THE YEAR	<u>\$.82</u>	<u>\$.63</u>

Consolidated Balance Sheet as at August 31, 1975

(with comparative figures at August 31, 1974) (notes 2 and 8(a))

ASSETS	1975	1974
CURRENT ASSETS		
Cash	\$ 360,263	\$ 1,270,760
Marketable securities, at cost which approximates the quoted market value	2,080	2,136,069
Accounts receivable	2,612,551	2,566,916
Current portion of notes receivable	78,653	235,083
Prepaid expenses	634,315	765,193
Income tax recoverable attributable to losses carried forward	<u>328,300</u>	<u>199,000</u>
	<u>4,016,162</u>	<u>7,173,021</u>
INVESTMENTS (notes 3 and 4)	<u>15,850,259</u>	<u>23,766,075</u>
FIXED ASSETS		
Land	276,691	283,270
Leasehold improvements, buildings and equipment, at cost less accumulated amortization and depreciation of \$2,416,969 (1974 \$2,733,910)	<u>1,980,204</u>	<u>2,389,186</u>
	<u>2,256,895</u>	<u>2,672,456</u>
INTANGIBLE ASSETS		
Hockey franchises and rights to players	12,153,473	12,740,852
Broadcast licence rights, goodwill and other intangibles	<u>8,433,040</u>	<u>10,280,016</u>
	<u>20,586,513</u>	<u>23,020,868</u>
	<u>\$42,709,829</u>	<u>\$56,632,420</u>

LIABILITIES**CURRENT LIABILITIES**

Bank advances, secured (note 4)	\$ 1,375,000	\$ 281,037
Accounts payable and accrued liabilities	1,204,551	1,020,128
Income taxes payable	872,633	1,252,467
Dividend payable	327,763	—
Deferred revenue	5,031,934	3,874,574
Current portion of long-term debt	1,339,500	508,333
Deferred income taxes related to current assets	160,800	190,000

10,312,181	7,126,539
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LONG-TERM DEBT, secured (note 4)

5,534,200	23,867,200
-----------	------------

DEFERRED INCOME TAXES

2,061,353	2,177,682
-----------	-----------

MINORITY INTEREST IN SUBSIDIARY COMPANIES

1,505,859	1,596,447
-----------	-----------

SHAREHOLDERS' EQUITY**CAPITAL STOCK (note 5)****Authorized**

116,040 5¾% cumulative redeemable convertible
preferred shares par value \$25

4,251,880 Class A common shares without par value

4,000,000 Class B common shares without par value

Issued

Preferred shares	1,906,575	2,556,000
------------------	-----------	-----------

Common shares	13,881,145	13,231,720
---------------	------------	------------

15,787,720	15,787,720
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CONTRIBUTED SURPLUS (note 6)

10,168	—
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RETAINED EARNINGS

7,498,348	6,076,832
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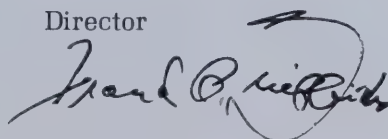
23,296,236	21,864,552
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\$42,709,829	\$56,632,420
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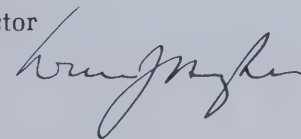
CONTINGENT LIABILITIES (note 9)**SUBSEQUENT EVENT (note 10)**

Approved by the Board

Director



Director



Consolidated Statement of Changes in Financial Position

YEAR ENDED AUGUST 31, 1975 (with comparative figures for 1974)

	1975	1974
SOURCE OF WORKING CAPITAL		
Operations		
Earnings before extraordinary items	\$ 2,760,873	\$ 2,434,654
Items not involving current funds		
Depreciation and amortization	300,106	349,876
Non-current deferred income taxes	143,883	126,172
Increase in equity of British Columbia Television Broadcasting System Ltd. in excess of dividends received (1975 — \$368,781; 1974 — \$271,999)	(354,957)	(279,079)
Minority interest in earnings (loss) before extraordinary items of subsidiary company	22,176	(15,094)
Provision for loss on investment	149,999	—
Other	8,900	—
	<u>3,030,980</u>	<u>2,616,529</u>
Proceeds on disposition of investments		
Consolidated subsidiary companies including working capital deficiencies at date of disposition	3,063,297	—
Unconsolidated subsidiary, Bushnell Communications Ltd. less income taxes related thereto of \$237,446	8,569,014	—
Other investments	221,479	—
Premium on conversion of preferred shares	10,168	—
Term bank loans	—	14,769,700
Other	—	17,439
	<u>14,894,938</u>	<u>17,403,668</u>
APPLICATION OF WORKING CAPITAL		
Increase in investments	133,625	6,728,618
Additions to fixed assets	862,189	432,427
Repayment of long-term debt	18,333,000	437,500
Reclassification of current portion of notes receivable as long-term (note 3)	156,656	—
Dividends paid	1,751,969	1,353,512
Tax paid on undistributed income	—	78,053
Acquisition of subsidiaries including working capital deficiency at date of acquisition	—	9,471,894
Additions to intangible assets, including licences and goodwill	—	12,502
	<u>21,237,439</u>	<u>18,514,506</u>
DECREASE IN WORKING CAPITAL POSITION	<u>6,342,501</u>	<u>1,110,838</u>
WORKING CAPITAL AT BEGINNING OF YEAR		
As previously reported	(1,446,118)	1,157,320
Adjustment related to income tax settlement (note 8(a))	1,492,600	—
As restated	<u>46,482</u>	<u>1,157,320</u>
WORKING CAPITAL (DEFICIENCY) AT END OF YEAR	<u>\$ (6,296,019)</u>	<u>\$ 46,482</u>

Notes to Consolidated Financial Statements

YEAR ENDED AUGUST 31, 1975

1. SIGNIFICANT ACCOUNTING POLICIES

Basic of consolidation

These consolidated financial statements include the accounts of the following subsidiary companies:

Wholly-owned by Western Broadcasting Company Ltd.

Western Broadcasting (Sports) Ltd.

Western Broadcast Sales (1970) Ltd.

Western Productions Ltd.

Western Broadcast Holdings Ltd.

and its wholly-owned subsidiaries

Radio NW Ltd.

Radio OB Ltd.

Radio ML Ltd.

Saturna Properties Ltd.

Saturna Investments Ltd.

and its wholly-owned subsidiary

Radio QR Ltd.

68.7% owned by Western Broadcasting (Sports) Ltd

Northwest Sports Enterprises Ltd.

and its wholly-owned subsidiaries

Vancouver Hockey Club Ltd.

Canucks Publishing Ltd.

Rochester Americans Hockey Club 1969, Inc.

Burrard Hockey Club Ltd.

The company sold its investments in Express Cable Television Ltd. and Seattle Totems Hockey Club, Inc. effective November 30, 1974 and August 31, 1974 respectively and received \$2,833,676 cash. Effective March 31, 1975 the company sold its investment in Bushnell Communications Limited, a 51.2% owned unconsolidated subsidiary, for \$8,806,460 of which \$4,403,230 was received in cash and \$4,403,230 was receivable in five equal annual instalments with interest at 10% per annum. The note receivable of \$4,403,230 was subsequently sold for its face value.

Foreign currency translation

Current assets and liabilities of the company's U.S. subsidiaries have been translated to Canadian dollars at year-end exchange rates, all other assets and liabilities at historic rates and revenues and expenses at the average rate for the period.

Accounting for long-term intercorporate investments

The investments in British Columbia Television Broadcasting System Ltd., the limited partnership and the National Hockey League are accounted for by the equity method. Other investments are accounted for by the cost method.

Depreciation and amortization

Fixed assets are stated at cost. Provision is made using the declining balance method for depreciation of buildings at 5% and radio and broadcast equipment at 25%. Leasehold improvements are amortized on the straightline basis, over the term of the lease and hockey equipment is depreciated on the straight-line basis over five years.

Franchises, rights, goodwill and other intangibles are recorded at cost which is not being amortized as the company believes there has been no diminution in value.

Income taxes

The company follows the normal practice of charging reported earnings with income taxes related to those earnings. Any differences between these taxes and taxes currently payable for the year are reflected in "Deferred income taxes".

Accounting for certain revenues and expenses

Certain revenues and expenses, including purchases and sales of rights to players that relate to the annual N.H.L. player draft held in June of each year, which are in the nature of start-up items associated with the next hockey season, are deferred and charged or credited against income in the next fiscal period.

2. CHANGE IN ACCOUNTING POLICY

During the year, the company changed its policy retroactively in order to provide for deferred income taxes for broadcast rights which are being written off for tax purposes but not for book purposes. The comparative figures in the accompanying financial statements have been restated to reflect the increase in deferred income taxes at August 31, 1974 of \$383,556. Of this amount, \$129,206 is applicable to the year ended August 31, 1974 and has been reflected in the statement of earnings and \$254,350 relates to prior years and has been deducted from retained earnings at September 1, 1973. The effect of the change in policy increased the charge for deferred income taxes in 1975 by \$131,000.

3. INVESTMENTS (note 4)

	1975	1974
British Columbia Television Broadcasting System Ltd., shares at cost plus equity in earnings since acquisition	\$ 6,216,521	\$ 6,048,603
Harlequin Enterprises Limited, shares at cost (quoted market value 1975, \$15,956,000; 1974, \$7,187,500)	8,349,135	8,349,135
Bushnell Communications Limited, a subsidiary company, shares, at cost	—	8,030,511
Interest bearing notes receivable and convertible debentures (1)	1,125,103	1,034,162
Other (ii)	159,500	303,664
	<u>\$15,850,259</u>	<u>\$23,766,075</u>

(i) Vancouver Hockey Club Ltd. ("Vancouver Hockey"), together with other members of the N.H.L., is participating in discussions for the renegotiation of the terms of the notes receivable relating to the 1972 and 1974 N.H.L. expansions. The notes are secured by a pledge of the franchise granted and the player purchase contracts acquired under the N.H.L. plan for expansion. Notes in the amount of \$1,100,972 are currently in arrears as to principal of \$158,289 and interest of \$109,175 and management is unable to determine their collectability at this time. The accrued interest for the year has not been recognized in the accounts and the portion of the notes due before August 31, 1976 has not been reflected as a current asset.

(ii) Vancouver Hockey holds a 1/15th interest in a limited partnership and shares in the profits or losses of the partnership to the extent of 6.45%. The partnership was formed to operate the California Golden Seals in the N.H.L. and the Salt Lake City Gold Eagles in the C.H.L. until a purchaser could be found. The partnership has assessed the company for its share of the operating losses and cash requirements of the partnership to June 30, 1975 and both have been charged to "Hockey expenses".

Effective June 1, 1975 the partnership sold its assets. The partnership is participating in a loan to the purchaser of which the company's share is expected to be \$40,000.

Because the partnership has incurred substantial losses since its formation, the company has in 1975 written down to \$1 its original investment of \$150,000.

4. LONG-TERM DEBT

	1975	1974
Term bank loans (i)	\$ 5,552,500	\$23,087,500
8½% Convertible subordinated debentures due November 15, 1990 (ii)	1,186,200	1,217,200
Other	135,000	70,833
	<u>6,873,700</u>	<u>24,375,533</u>
Less principal due within one year	1,339,500	508,333
	<u>\$ 5,534,200</u>	<u>\$23,867,200</u>

- (i) During the year, the company renegotiated the repayment schedule and interest rates applicable to its bank loans. The bank loans are evidenced by demand notes and are secured by hypothecation of investments. Interest is payable monthly at various rates ranging from prime to prime plus 1%. Subsequent to August 31, 1975, all term bank loans were retired from the proceeds received on the sale of a portion of the investment in Harlequin Enterprises Limited.
- (ii) The debentures are convertible until maturity into common shares of a subsidiary company at \$10 per share. The company has the right to redeem the debentures at a prescribed premium until 1988 and thereafter at par, and to purchase the debentures for cancellation at prices not exceeding the redemption price thereof. The Trust Indenture requires that payments be made to the Trustees in the years 1981 through 1989 of an amount sufficient to retire \$200,000 principal of the debentures in each of these years. The sinking fund requirement has been reduced by the amount of debentures purchased for cancellation or converted to shares aggregating \$513,800 to August 31, 1975.

5. CAPITAL STOCK

The New British Columbia Companies Act, promulgated October 1, 1973, does not permit the conversion of preferred shares into common shares through the automatic procedures followed heretofore under the provisions of the former Companies Act. The company made an application for a court order validating and confirming the terms of the preferred shares to permit conversions automatically upon the tender of preferred shares. However, the court dismissed the application. An amendment of the special rights attaching to the preferred shares will now be required through a special resolution assented to by the holders of not less than three-fourths of the issued preferred shares.

The issued capital stock reflects the conversion of 39,777 preferred shares with a par value of \$994,425 to 119,331 common shares on the basis that the original rights of conversion of the preferred shares will be upheld.

Authorized

- The preferred shares are convertible into Class A common shares of the company to December 1, 1979 on the basis of three common shares for one preferred share and \$2.50 cash. The preferred shares are redeemable by the company to December 1, 1979 at \$27.50 per share and thereafter at \$26.00 per share, together with an amount equal to all unpaid preferential dividends accrued thereon to the redemption date. The company may purchase the preferred shares for cancellation on the open market on certain terms and conditions.

Dividends payable on the common shares are restricted under the terms of the preferred share issue. Under the most restrictive of these provisions, dividends paid subsequent to March 31, 1969 on all shares of the company cannot reduce retained earnings below \$386,000.

- 228,789 unissued common shares are reserved for conversion of the preferred shares.
- The Class A and Class B shares are interchangeable and have the same rights and attributes including the right to participate equally as to dividends. Dividends paid on Class B shares must be equivalent to those paid on the Class A shares out of tax-paid undistributed surplus on hand (as defined in the Income Tax Act of Canada) after consideration of the 15% tax paid to create it.

Issued

	Number of shares issued		
	Preferred	Class A Common	Class B Common
Balance August 31, 1974	102,240	1,926,404	1,637,175
On conversion of preferred shares with a par value of \$649,425	(25,977)	77,931	—
On exchange of Class A for Class B shares	—	(145,950)	145,950
On exchange of Class B for Class A shares	—	70,400	(70,400)
Balance August 31, 1975	<u>76,263</u>	<u>1,928,785</u>	<u>1,712,725</u>

6. CONTRIBUTED SURPLUS

The premium of \$2.50 per share received on the conversion of 4,067 preferred shares to Class A common shares during the year has been credited to contributed surplus.

7. EXTRAORDINARY ITEMS

	1975
Gain (loss) on disposition of:	
Bushnell Communications Limited less related income taxes of \$237,446	\$395,870
Express Cable Television Ltd.	285,751
Seattle Totems Hockey Club, Inc.	(253,850)
Marketable securities	(21,275)
Realization of tax savings on application of loss-carry-forwards	6,116
	<u>\$412,612</u>

8. INCOME TAXES

- (a) Vancouver Hockey has settled with Revenue Canada, Taxation the treatment for tax purposes of the amortization of the original cost of rights to players related to the N.H.L. franchise acquired in 1970, revenue from N.H.L. expansions, and indemnification revenue and expense of prior years.

The comparative figures in the accompanying financial statements have been restated from amounts previously reported to reflect the reduction in income taxes and a provision for the interest and other costs associated with the settlement.

- (b) The company and a subsidiary have incurred losses aggregating \$655,000 which are available to reduce income for tax purposes. Because management is virtually certain the company will generate sufficient profits in the future to utilize this loss, the related tax reduction of \$328,300 has been recorded in the accounts.

A subsidiary has incurred losses aggregating \$587,000 which are available to reduce income for tax purposes and expire as follows: 1978 — \$289,000; 1979 — \$268,000; 1982 — \$30,000. No recognition has been given in the accounts to the potential tax reduction attributable to these losses.

has been restated

It is also cleaned

9. CONTINGENT LIABILITIES

- (a) There are a number of continuing actions and two new actions in the United States against the N.H.L. and its member clubs (which include Vancouver Hockey) for damages and costs allegedly sustained by plaintiffs by reason of alleged violations of United States antitrust laws. Counsel for the company have advised that it is not possible at this time to give any estimation of the chances of success or failure, or the amount of damages which may be assessed, or other remedies which may be enforced, should any of these actions ultimately be successful.

Under a settlement agreement with the N.H.L., the World Hockey Association and its present member clubs have agreed to indemnify the N.H.L. and its member clubs to the extent of \$1,750,000 in respect of any damages which might be awarded if proceedings were ultimately successful in two of these continuing actions.

- (b) Proceedings have been taken in the Federal Court by certain minority shareholders of Bushnell Communications Limited ("Bushnell") to set aside the decision by the Canadian Radio-Television Commission approving the sale of the company's investment in Bushnell to Standard Broadcasting Corporation Ltd. ("Standard"). Action has also been taken against the company and others to recover the premium paid by Standard over the quoted market value of the shares. Counsel for the company advises that it is premature at this time to comment on the possible outcome of these proceedings.
- (c) A subsidiary company is claiming broadcast rights for income tax purposes on the basis previously established with Revenue Canada, Taxation by another subsidiary. After reviewing the subsidiary's income tax returns for the years 1972 to 1974, Revenue Canada, Taxation requested representations from the company to justify its claim. Management has made a

submission and anticipates that its claim will be sustained. To August 31, 1975 current income taxes have been reduced by \$1,000,000 of which \$500,000 has been provided for as deferred income taxes.

- (d) Revenue Canada, Taxation, has invited representations from the company in respect of the sale of shares of a number of companies directly or indirectly holding broadcasting licenses from Western Broadcasting Company Ltd. to Western Broadcast Holdings Ltd., a subsidiary, in 1971. Such representations have been made and the matter is under review by the department. While the company feels that its position is sound, in the event that an adverse decision is received in this matter such a decision may restrict the company's ability to continue to pay tax deferred dividends on the Class A common shares.
- (e) Vancouver Hockey is contingently liable for its share of a liability transferred to the limited partnership referred to in note 3, which share approximates \$180,000 at August 31, 1975, and other debts arising from the operations of the partnership.

10. SUBSEQUENT EVENT

On September 22, 1975, the Toronto Star Limited made a public offering to all holders of Harlequin Enterprises Ltd. common shares to purchase approximately 51% of the shares outstanding. The company tendered its 1,725,000 shares of which 941,409 shares were taken up and in exchange received \$7,686,616 cash and 118,281 Class "B" common shares of the Toronto Star Limited. The company's term bank loans were repaid in full out of the proceeds.

11. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate remuneration paid or payable for the year by the company and its subsidiaries to directors and senior officers of the company as defined in the Companies Act, British Columbia, amounted to \$401,225.

Auditors' Report

To the Shareholders of
Western Broadcasting Company Ltd.

We have examined the consolidated balance sheet of Western Broadcasting Company Ltd. and its subsidiary companies as at August 31, 1975 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination of the financial statements of Western Broadcasting Company Ltd. and its consolidated subsidiaries included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. For British Columbia Television Broadcasting System Ltd., which is accounted for by the equity method, we have relied on the report of the auditors who examined its financial statements.

In our opinion, subject to the collectability of the notes receivable referred to in note 3 and subject to the outcome of the legal actions referred to in notes 9(a) and (b) and the possible effects thereof on the consolidated financial statements, these consolidated financial statements present fairly the financial position of the companies as at August 31, 1975 and the results of their operations and the changes in their financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, after giving retroactive effect to the change in the method of accounting for income taxes referred to in note 2 to the financial statements.

In accordance with Section 212 of the British Columbia Companies Act, we report that due provision has been made for minority interests.

Vancouver, B.C.
October 24, 1975

THORNE RIDDELL & CO.
Chartered Accountants

Operating Report

CKNW named station of the year



CKNW was once again voted "Station of the Year" by the B.C. Association of Broadcasters for their outstanding efforts on behalf of the Orphans' Fund. The Orphans' Fund was initiated by CKNW and has raised funds for the past 31 years to provide orphans with clothing and shoes at Christmas time. In addition, the fund supplies hundreds of British Columbia youngsters with camp sponsorships as well as many institutions with equipment ranging from playground equipment to wheelchairs.

The highlight of the year is the annual CKNW Orphans' Fund picnic, which hosts over 2,000 institutionalized children to a full day of food, fun and games.

The "Station of the Year" award is coveted by all broadcasters as recognition by the industry of a continuous public service feature. Total community involvement is another reason for "NW's" continued domination of the Greater Vancouver market.

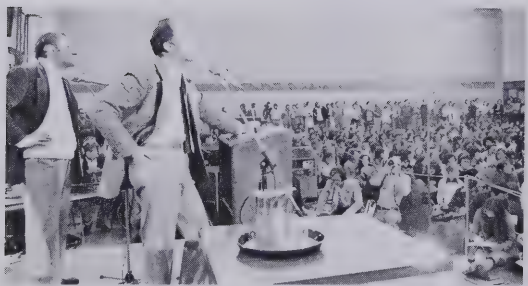
Pictured are John G. Plul, Orphans' Fund Administrator and Hal L. Davis, CKNW General Manager proudly holding the award.

Pictured left is Gary Bannerman in the new CKNW "talk studio" in Vancouver's Harbourside Holiday Inn. Gary's daily talk show on CKNW earned for him a difficult role in June of this year. He was named as one of a trio demanded by three prisoners to negotiate for the release of 15 hostages held by them in the B.C. Penitentiary. Gary's many sleepless days of negotiation with the prisoners and authorities provided CKNW listeners with factual information on this tragedy as it happened.

Gary Bannerman and CKNW receive special recognition by the League of Human Rights and B'Nai Brith of Canada for the highly professional manner in which he handled these delicate negotiations.



CJOB — dominance in Manitoba market increases



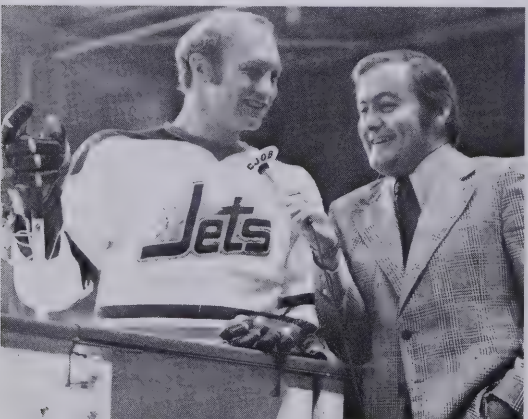
CJOB is Manitoba's leading radio station. Its dominance of the market continued to increase during this year.

The station's active participation in the community affairs of Winnipeg, its responsible and timely news reporting, and its leadership in the discussions of matters of concern with its audience are all reasons for 'OB's continued dominance of the Winnipeg market.

CJOB's Peter Warren is pictured as he moderated a "bearpit" session featuring Prime Minister Trudeau with the students of Red River Community College.

CJOB broadcasts the games of the Winnipeg Blue Bombers in the C.F.L. and the Winnipeg Jets in the W.H.A. Special 'OB sports broadcasts this past year brought play-by-play broadcasts of the Jets' game with the Swedish Nationals and the Czechoslovakian Nationals direct from Stockholm and Prague.

Ken Nicolson, 'OB Sports Director, interviews the "Golden Jet", Bobby Hull, following a W.H.A. game.



CHQR — a Calgary showplace



CHQR has taken on a new look!

Blending the latest engineering advances with the decorating talents of skilled designers has made CHQR one of the most attractive, modern and efficient radio stations in North America. Also located in the "QR Centre" are a 500 seat theatre, a restaurant and a lounge.

As a result of a power increase to 50,000 watts the broadcast signal now reaches from Northern Alberta to Central Montana.

Forward bookings confirm the station's improved competitive position.

CHML — another outstanding year



Paul Hanover, of CHML, officiates at the Tiger-Cat Quarterback Club meeting where Heather Barr receives the title "Miss Tiger-Cat" from Brenda Ransom the outgoing title holder. CHML has been the official voice of the Tiger-Cats for many years.

Paul Hanover, the "Morning Mayor" of CHML, is as important to Hamiltonians in the morning as orange juice. In his thirty years at the station, Paul has presided over many functions in and around Hamilton as well as the CHML Tiger-Cat Quarterback Club. His popularity is one of the reasons CHML has enjoyed the largest share of Hamilton listeners for many years.

Cans can be recycled efficiently!

To prove to all levels of government and the public that cans . . . an important Hamilton industry . . . can be recycled, CHML organized an eight hour clean-up campaign. Over 1,000,000 cans were turned in to be recycled, with refunds to Hamiltonians and a contribution from the sale of the cans to a Students Conservation Fund.

Another CHML community project, one of many which helps keep the station the most popular in its market.



Vancouver Canucks make N.H.L. Playoffs . . .



ECSTATIC CANUCKS, Gerry O'Flaherty, left, and Dennis Ververgaert rejoice at O'Flaherty's second period goal at the Pacific Coliseum.

Canucks went on to 4-1 victory over Minnesota North Stars, which secured their first-place finish in the Conn Smythe Division of the N.H.L.

Vancouver Canucks entered the N.H.L. Stanley Cup playoffs for the first time after finishing first in the Conn Smythe Division.

In the playoffs Canucks were pitted against the powerful Montreal Canadiens and lost out in the fifth game in overtime.

Typical of the exciting action which entertained 15,000 season ticket holders all season are these scenes taken in the Pacific Coliseum, the home of the Canucks.

At left, winger John Gould sweeps past forward Danny Gare of the Buffalo Sabres. Gould scored 34 goals for the Canucks and was one of a number of players whose fine personal performances helped the team to a "best-ever" year.

At left below, defenceman Dennis Kearns sweeps the puck away from danger, with Montreal Canadiens' forward Steve Shutt standing poised in front of the Canuck goal.

Goaltender Gary Smith, at left, was outstanding throughout the year, and with defenceman Tracy Pratt represented the team in the All-Star Game. Ken Lockett, a rookie in the N.H.L., came in under pressure late in the year to spark the team to its exciting pennant-winning finish in the Conn Smythe Division of the League.



Top photograph courtesy the Vancouver Sun.



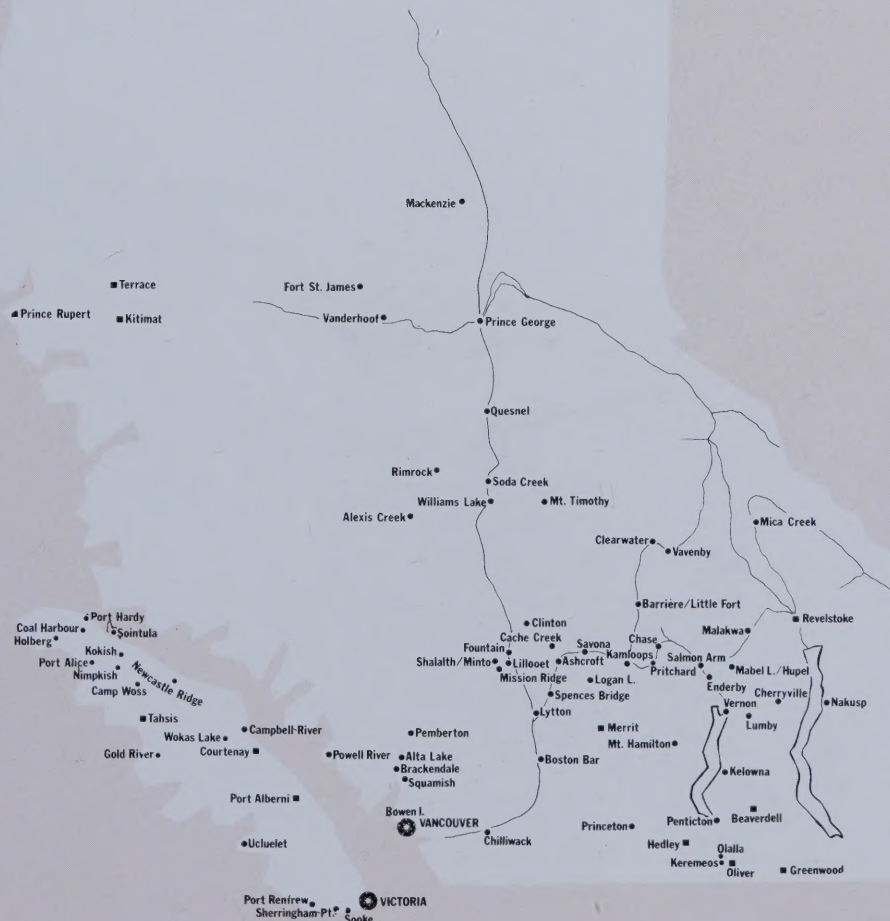
British Columbia Television Broadcasting System

REACHING 92% OF ALL BRITISH COLUMBIANS

CHAN-TV and CHEK-TV signals are carried by more than 73 re-broadcasting stations throughout the province, serving 92% of British Columbia's homes.

As the West Coast anchor station of the CTV network, BCTV has the most modern production and broadcast facilities west of Toronto and north of Hollywood. With over 22 hours broadcast each day, through a network of transmitters, BCTV informs and entertains virtually the entire province from its Burnaby studios. BCTV has met the demand to carry CTV programs to even the most remote parts of the province.

1976 and '77 expansion will culminate a feat that no other single privately-owned broadcaster has attained; that being service to 98% of the people in the station's home province.



LEGEND
• BCTV
■ CATV
🌸 MAIN STUDIOS

Western Broadcasting Company Ltd. Annual Report 1975
